

# **FEE-FOR-SERVICE IN THE WORKFORCE DEVELOPMENT SYSTEM**

## ***A PRIMER FOR WORKFORCE BOARDS***

**Regional Employment Board of Hampden County, Inc.  
Fee-For-Service Research Project**

**1-800-787-1516 ~ [usworkforce.org/onestop/careercenter](http://usworkforce.org/onestop/careercenter)**

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# **FEE FOR SERVICE: A PRIMER FOR WORKFORCE BOARDS**

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## ***I. Introduction***

**I**n recent years, many workforce development organizations have sought to diversify their sources of income. There are many different reasons for this, ranging from declining resources, to new interests, to a focus on particular customers. Workforce Boards preside over systems that are increasingly complex. In most cases, their mission has grown to include policy and oversight for all workforce initiatives in their areas. Many organizations have pursued and received additional grant income, such as discretionary grants, or grants and contracts from other agencies. In addition, some organizations have begun to charge fees directly to customers--mostly to employers, but occasionally to job seekers as well--for particular services provided.

The concept of charging fees for services emerged simultaneously in several different places across the country as a logical outgrowth of the development of local workforce programs. Since 1996, the Hampden County, Massachusetts Regional Employment Board has been conducting research into fee-for-service under a system-building grant from the U.S. Department of Labor. The research has mainly consisted of a nationwide survey and several detailed case studies of organizations that have successfully implemented fee-for-service activity.

### **One significant theme runs through all of the research findings – the importance of the Board**

One significant theme runs through all of the research findings – the importance of the Board. In some cases, this was the Private Industry Council, Regional Employment Board or other board overseeing all workforce development programs in a local area. In other cases, it was the Board of

Directors of a non-profit organization charged with delivering workforce development services in a community. In every case, the vision, leadership and commitment of the Board were critical driving forces.

We found very similar characteristics between organizations engaged in direct or “retail” fee-for-service and those involved in revenue generation through additional public, grant or foundation funding. Both require an entrepreneurial spirit. Both take advantage of opportunities. Retail fee-for-service raises additional, sometimes controversial issues. We have written this Primer to help Boards that are interested in investigating fee-for-service for their own local organizations. Most of the issues and processes, however, apply to any type of revenue generating activities.

## ***II. THE REALITY OF FEE-FOR-SERVICE TODAY***

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In the course of our research into fee-for-service, we interviewed everyone known to be offering any type of service for a fee, which amounted to more than 100 workforce development professionals and Board members. We conducted a formal survey to which individuals from 224 different workforce organizations responded. We conducted several detailed case studies and participated in the U.S. Department of Labor's fee-for-service workgroup. From all of these activities, we know that:

- ? **The clear trend in “retail” fee-for-service is to charge employers** for specialized or enhanced services. Many fewer organizations charge fees to job seekers. This reflects strong feelings in the workforce development community that job seekers, especially those that are unemployed, should have a full range of free services available to them.
- ? **Strong, business-led Boards are interested in fee-for-service.** The programs under their direction have good reputations in the local area for their government-funded programs. Many of the leaders in fee-for-service are members of the Enterprise, a U.S. Department of Labor effort to recognize and certify workforce development organizations that are committed to delivering high quality, customer focused services.
- ? **Workforce development organizations involved in fee-for-service have an entrepreneurial spirit,** which is reflected in their diverse funding base. This base generally includes formula funds under the Job Training Partnership Act (JTPA) and may include discretionary JTPA grants, School-to-Work, Welfare-to-Work, other welfare reform, economic development, various State grants, and private foundation grants, among others. Retail fee-for-service, though significant in principle, usually accounts for a very small portion (3%-5%) of total revenue.
- ? **Fee-for-service activity starts with an opportunity** that the local workforce development organization is able to capitalize on. In several cases, this involved an employer that was downsizing or restructuring and needed service immediately. Local programs realized that they could charge for services that were similar to those they performed with public funds.
- ? **Fee-for-service activity results both from opportunities and planned strategies.** In every case, the Board established an atmosphere where staff felt that they could and should be entrepreneurial about exploiting opportunities that arose. The Boards we studied all had set policy guidelines for entrepreneurial activity so the staff had the confidence to proceed.
- ? **There is widespread (93%) acceptance of the concept of fee-for-service.** While actual fee-for-service activity is modest, the idea is accepted that workforce development organizations should charge fees for some of the services provided to employers and job seekers.

- ? **Most services offered for-a-fee are similar to traditional employment and training services:** recruiting, testing, job task analysis, outplacement services, computer-skills training. An organization generally builds on its strengths.
- ? **Successful fee-for-service providers have all built good reputations** at performing traditional employment and training activities so that potential fee-for service customers trust them to provide new services.
- ? **In most cases, there is no need to set up a separate legal organization** to carry out fee-for-service activity. Fee-for-service activities are generally fully integrated with other services offered. In some cases, fee-based services have a different identity or name, which distinguishes this activity from free services.
- ? **There have been no objections reported by auditors** or government grantors about fee-for-service activity. However, there is separate financial accounting of revenues and expenses for fee-for-service activities.
- ? **There are few or no objections from possible competitors** – other profit or non-profit providers of similar services in the local area. In every case, however, the Board is careful in deciding which services to offer for a fee, and usually considers the competition, and its possible reactions.
- ? Those who have not yet engaged in fee-for-service activity are much more likely to cite major obstacles than those with experience in this area. **Fee-for-service is easier than many think!**
- ? **The main real obstacles to a successful fee-for-service program are the lack of business experience and staff resistance.** Interestingly, these are both internal issues, which the will of the Board can overcome. If you think you can, you can.

### ***III. Why Are Boards Interested In Fee-For-Service?***

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Many progressive and successful Boards have developed fee-for-service strategies for their organizations. What are the main driving forces that have motivated these Boards? They want to:

- ? **Increase and diversify resources.** Some Boards have wanted to generate additional revenue to maintain and enhance their basic programs and staffing infrastructures in the face of fluctuating or shrinking JTPA formula allocations. This has involved securing government discretionary grants as well as undertaking “retail” fee-for-service efforts. The retail fee-for-service is significant in that it represents a stream of flexible revenue, outside the restrictions of grant funds. It also requires a business mentality.
- ? **Respond to immediate needs of employers** in ways not feasible or possible strictly through government programs. In many cases, this has included “just in time”

privately funded outplacement services, turnover analyses and employee satisfaction surveys.

- ? **“Branch out” into new areas** in order to fulfill the Board’s mission. In every case, the Board’s mission involves fulfilling the workforce development needs of the local community – both those of employers and individuals. In some cases, the Board has wanted to grow and develop in new directions. This has involved such activities as customized pre-employment training and management consulting to local businesses.
- ? **Respond to “gaps” in service** in the local community. In one area, the Board authorized the operation of a fee-based child care center; in another, fee-based instruction in popular computer software applications and SCANS skills is offered; in a third area, the local program offers fee-based skills testing.
- ? **Explore the role of fee-based services within the context of a One-Stop Career Center**, alongside publicly funded services. One-Stop Career Centers offer “universal service.” In some cases, customers are not eligible for services under JTPA or other categorical programs and Wagner-Peyser-funded (Employment Service) resources are limited. In some areas, Boards have turned to fee-for-service as a way of financing “enhanced” services for job seekers and employers.

Underlying all of these is the increased focus on customer needs and customer satisfaction. All of the Boards that have moved in the direction of fee-for-service have cited customer responsiveness or better customer service as their main reason. The “quality” movement has made workforce development organizations more aware that the needs and desires of their customers must be taken into account in planning and delivering services.

Organizations currently engaged in fee-for-service activity believe that it has helped them become more responsive to all customers, whether they pay a fee or not. Fee-based services have also tended to add diversity and choices to the services offered by an organization. *Fee-for-service can strengthen a workforce development program!*

**Underlying all of these [driving forces] is the increased focus on customer needs and customer satisfaction**

#### ***IV. The Basics of Getting Started in Fee-For Service***

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What follows is not a formula that every Workforce Board will follow, but a broad set of issues that each Board should consider in undertaking a fee-for-service strategy. With the mission of Workforce Boards becoming broader – and including One-Stop activities, School-to-Work and Welfare-to-Work, among others – there is a real need for a fee-for-service “champion,” either on the Board or on staff, who believes in both diversifying resources and fee-for-service.

### **Step One: CREATE A VISION FOR FEE-FOR-SERVICE ACTIVITIES**

Every successful fee-for-service program was initiated by a Board which gave its workforce development organization a well-defined mission and purpose. The first question is the most important of all: *Should we have a fee-for-service program?*

#### **In considering whether to initiate fee-for-service or not, the Board should ask itself:**

- † How does fee-for-service fit into our broader vision?
- † What are our priorities?
- † What services could we offer for a fee?
- † How will fee-for-service relate to the other activities we oversee?
- † What is it we want to accomplish with our fee-for-service activities?
- † What is the overall philosophy that will guide our fee-for-service efforts?

Each Workforce Board has its own vision, priorities and situation, which apply uniquely to its own local area. The Board needs to make a clear direct statement of its thoughts and policies about fee-for-service, in order to guide the effort and free staff to take advantage of opportunities.

The question of whether to have a fee-for-service component was heavily debated by both the PIC that governs the **Training Resource Center (TRC) in Cumberland County, Portland, Maine,** as well as their Board of Directors, which oversees TRC as a non-profit organization. The Board wanted to stabilize its funding base, and TRC has pursued government discretionary grants that currently amount to 40% of its operating budget. The decision to move ahead with fee-for-service was based partly on wanting a source of flexible revenue.

The PIC discussed whether launching a fee-for-service business would detract from its public programs. Another issue was that of perception, or the “front page litmus test.” Would the program be put in an embarrassing position if there were a front-page story “exposing” inappropriate entrepreneurial efforts?

The PIC decided that federal and state grants would still form the predominant financial base. Fee-for-service is viewed as a means to an end that will ultimately help stabilize funding so that the grant recipient, TRC, can have more flexible sources of revenue in order to better service the County’s workers and the employers who hire them.

The **PIC of Chautauqua County, Inc. in Jamestown, New York** is heavily involved in economic development, and has been so for more than 10 years. In order to encourage business retention and expansion, the PIC decided to focus its fee-for-service efforts on employers. Services offered include assessment and screening, pre-employment training, manufacturing skills training and quality-related management consulting. In response to employer needs, the PIC created a child care center.



These efforts are funded both by the County economic development agency and by private employers. The County now allocates up to \$300,000 for the PIC's training and upgrading services for employers.

Fee-for-service has played a significant role in helping the PIC fulfill its mission of ensuring "a well trained and competitive workforce" and enhancing "the economic environment in Chautauqua County."

For the **Regional Employment Board (REB) of Hampden County, Inc. in Springfield, Massachusetts**, the vision for how fee-based services would unfold within their local One-Stop Career Center system was defined in the actual Request for Proposal instructions to potential bidders. They stated that: "Career Centers **will** provide Enhanced Services to both jobseekers and employers (individually or in groups).....Since the vision projects Career Centers as the centerpieces of the workforce development and labor exchange services, bidders should give serious consideration to this facet of Center operations and the role enhanced services will have in Career Centers achieving a key guiding principle --- **offering customers a full spectrum of quality, workforce development services** --- reaching well beyond the services traditionally available today." The REB's fee-for-service policy statement which was crafted once Center operators were chartered noted that while fee-for-service should never displace free services, "fee-based activities are an important tool for satisfying the needs of both employers and job seeker customers, for giving Career Centers a basis for providing true universal access to services, as well as provide an opportunity for developing flexible non-grant resources within the system."

### ***Step Two: BE READY TO TAKE ADVANTAGE OF OPPORTUNITY***

The main ingredients in readiness are flexibility, an entrepreneurial spirit and customer focus. If you have these, you are ready. This principle applies equally to fee-for-service and additional grant-funded activity.

The **North Santa Clara Valley (NOVA) PIC in Sunnyvale, California** began its fee-for-service in 1988 when a private firm requested that NOVA provide individualized assessment and retraining for a large number of incumbent workers to prepare them for possible internal transfers. NOVA agreed to perform the service. Because there were no existing grant resources to cover the costs, the company agreed to reimburse NOVA's costs—and the fee-based business was born.

The **Western Wisconsin PIC, Inc. in LaCrosse, Wisconsin** provided its first fee-for-service in 1987. Its entrepreneurial spirit is reflected in its diverse funding base. In 1996, JTPA funds (originally the sole funding source) accounted for approximately 60% of revenue. Other grant activity, including School-to-Work, AmeriCorps, JOBS and others, accounted for most of the rest. Fee-for-service activity, through significant as a driving force, accounted for approximately 3% of total revenue.

If your organization has a good reputation in the community, the chance is good that a customer will request a reasonable service that is difficult or impossible to provide under existing grant or funding restrictions. ***Be ready to say yes!***

<p><i>Step Three:</i>            <b>INCORPORATE FEE-FOR-SERVICE INTO STRATEGIC PLANS AND ANNUAL BUSINESS PLANS</b></p>
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Once the Board is open to the idea of fee-for-service, this should be incorporated into its plans.

**Questions to answer include:**

- † What services should we offer?
- † What customers should we target?
- † How will we deal with the issue of “competition?”
- † How do we set our prices?
- † How do we allocate profits?
- † How will we finance the up-front investment costs?
- † What guidelines should we set?

**An Annual or Business Plans should address:**

- ? Yearly goals in terms of services and revenue
- ? Market situation
- ? Operational plans

While the **Western Wisconsin PIC, Inc.** began its fee-for-service activity in an unplanned way, it has since taken a very planned approach for becoming involved in other activities and raising additional income, through both additional grants and fee-for-service. After a careful analysis of its own services and the market, the PIC has decided to market fee-for-service only to employers and to offer outplacement services (to address downsizing), workforce and human resource services (to address the shortage of available, skilled workers), assessment services and training services. The PIC explicitly decided not to offer services that compete with either private employment agencies or the local Technical College.

**NOVA PIC**, likewise, began fee-for-service activity almost by accident. This new activity, however, prompted a spirited discussion among NOVA staff and PIC members. Eventually, the PIC reached a consensus that fee-for-service activities were compatible with NOVA’s public service mission under three conditions:

1. The services being sold were such that a customer could not easily obtain them from another locally available source.
2. The services being sold could not be financed through any of NOVA’s traditional grant funding.
3. The services could be provided without interfering with the staff’s regular (free) public-service duties.

These guidelines have hardly hampered activity. In a typical year, fee income averages \$350,000. Over two-thirds of this amount results from activities involving corporate downsizing and outplacement of workers. The PIC has set a limit on fee-for-service revenue of 15% of total agency income.

Each different area has its own approach to prices and profits. Examples of how four programs approached pricing and profits can be found in Attachment 1. A template for a Fee-for-Service Business Plan as developed by the Western Wisconsin PIC, Inc. is included as Attachment 2.

#### ***Step Four: PREPARE THE ORGANIZATION***

Successful fee-for-service operation requires the staff capacity for what is essentially starting and maintaining a business. The capacity for marketing is particularly critical. While relationship-building, which is often time-consuming, is the very foundation of many One-Stop models, quick response time is equally, if not more, important in the business world.

Staff resistance can also be an issue. Many staff people have a “free services” mindset and are uncomfortable with the idea of fee-based services.

The **Western Wisconsin PIC, Inc.** changed its organizational structure and hired staff people with essential business skills and credentials into the new positions created. They also created a separate identity for the fee-based services effort, within the same legal entity. This entity is called Employment Solutions, and has its own formal Business Plan.

As part of its RFP process for Career Center operators, the **REB of Hampden County, Inc.** evaluated the capability of bidders to operate an “enhanced service” or fee-for-service component, which was a requirement for Career Center operators. The REB also collects a percentage of fee-for-service revenue earned by Career Centers for its own flexible fund.

At the **PIC of Chautauqua Inc., NOVA PIC, and TRC**, they chose to retrain and recommit existing staff to handle fee-for-service or other revenue-generating activity, as has been done in many areas. In all of these, however, they were careful in selecting staff who could be responsive to the needs of the employer community.

Many workforce development programs that have not yet tried fee-for-service cite concerns about legal and regulatory issues. State agencies may encounter legal obstacles due to enabling legislation for State Employment Services in many states. But for local organizations, these obstacles are more perceived than real.

As a non-profit organization (501(c)3), **TRC**, with the help of its auditors, learned that its nonprofit status was not jeopardized as long as:

- ? its fee-generating business was consistent with its mission: “to promote economic development through human resource development”, and
- ? the fees did not constitute a “significant” portion of its revenue

#### ***Step Five: PROMOTE FEE-FOR-SERVICE***

The Board has a role in marketing, advocacy, and public relations. The stature of the Board lends credibility to its fee-for-service efforts. The Board, as a business-led organization, knows first

hand the needs of businesses in the local economy. The Board can both attract and reassure potential customers.

The biggest fee-for-service project to date for the **Western Wisconsin PIC, Inc.** (\$100,000) was an on-site outplacement center at the corporate headquarters of a local brewery which had been purchased by another company. The local brewery was a PIC member. Many of **NOVA's** projects have also been with companies that are PIC members.

The **PIC of Chautauqua, Inc.** includes 10 chief executive officers of some of the county's largest and most successful manufacturers and service employers. These PIC members have engaged the PIC organization for many projects, including screening and skill testing for applicants, and skill upgrading for incumbent employees.

Board members can testify about and advertise the fee-for-service activities to their business peers. They must also defend their fee-for-service program with those who disagree and with potential competitors. The Board must deal with the elected officials and with the public. Many Workforce Board members also serve on other boards in their local communities. They can see how fee-for-service interfaces with other related or adjacent activities.

**TRC** has taken a lead role in promoting the value of the "Learning Organization" as an essential economic development tool. TRC provides staff support for ongoing PIC efforts in this area, including a televised panel discussion exploring the importance of incumbent worker training and "Learning Organization Hall of Fame" awards, presented at a Portland Area Chamber of Commerce breakfast that is typically attended by about 500 people.

#### ***Step Six: OVERSEE FEE-FOR-SERVICE ACTIVITY***

As part of its oversight function, the Workforce Board provides ongoing oversight of the fee-for-service program. The Board sets standards for the quality of the program's operations and sees that they are adhered to. The Board sets performance standards and measurable outcome goals, receives reports and reviews operations.

At the **PIC of Chautauqua, Inc.** every fee-for-service customer agree to complete a "Customer Satisfaction Survey," which is used to ensure fulfillment of expectations.

The **Western Wisconsin PIC, Inc.** sets marketing and financial goals. For Program Year 1997, the goal was \$120,000 for fee-for-service activities. The Board holds the staff accountable for meeting these goals.

The **REB of Hampden County, Inc.** chartered and oversees both One-Stop Career Centers in their region ~ FutureWorks and CareerPoint. Annual financial and programmatic goals for both Centers regarding their fee-based activities are negotiated and for FY 1998, the goal is \$100,000 per Center. The Board sets policies regarding the types of fee-based services that can be provided, oversees their activities and holds the staff accountable for meeting goals.

## ***V. Actual Fee-for-Service Projects***

To help get a sense of some actual fee-for-service projects that local Boards have implemented, we provide the following:

***PROJECT: MRC Bearings Company, PIC of Chautauqua County, Inc., Jamestown, NY***

MRC Bearings Company, a former division of TRW, manufactures roller bearings for the airline industry and other customers. With over 1,200 employees it is one of Chautauqua County's largest employers. The PIC has a long and successful relationship with MRC, providing them with a wide range of services.

For several years, the PIC has charged MRC for pre-employment training and hands-on skills training for entry-level workers. Recruited to MRC's specifications, new employers are sent to the PIC Teaching Factory (described below) in a building not far from the main MRC plant. There new hires receive training in print reading, mathematics, and reading. After successfully completing their classroom training, new hires spend approximately 80 hours working on machines that are identical to the ones they will eventually use at MRC. After completing training under the guidance of instructors who are MRC retirees, they transition to regular positions at MRC. According to MRC plant managers this system works well and has substantially increased the productivity of the MRC workforce and lowered turnover.

Additionally, the PIC arranges for skills upgrading for incumbent workers at the MRC. With cooperation from the local United Automotive Workers union leadership, the PIC arranges for training in statistical process control, quality assurance, and ISO 9000 standards for MRC employees. Upgrading the workforce and retraining it to work in a high performance workplace is part of the company's strategy for remaining competitive in the post-defense industry era. With declining guaranteed government contracts, MRC has been forced to compete in the global marketplace and therefore conform to international standards for quality control and price.

Managers at MRC testify to the valuable services provided by the PIC and to the importance of skills training to their overall business plan. Funding the overhaul of the plant's human resource strategies has been a true partnership. The PIC charges MRC for pre-employment training, hands on-skills training, and for skills upgrading. County funds also underwrite part of the costs of training via matching grant funds from the county's Industrial Development Agency.

***PROJECT: Acu-Rite, Inc., ~ PIC of Chautauqua County, Inc., Jamestown, NY***

Acu-Rite, Inc., a maker of precision measurement devices for the machine tool industry, needed cheaper, more reliable electronics for its optical readout product. Its supplier was shipping printed circuit boards to Acu-Rite which were overpriced and not up to quality standards.

While Acu-Rite thought they had expertise in design, engineering and marketing to build their own circuit boards, they wanted to ensure that they could consistently produce a high-quality product at a competitive price. They realized that this would require a better trained workforce.

PIC staff met with Acu-Rite and developed a plan for recruiting and training new staff for taking advantage of the opportunity to start this new operation with quality standards. Specifically, they:

- ? arranged a staff development program in quality assurance-based soldering to prepare supervisors and workers for the demands of production in a new product line. The company's costs were matched by a grant secured from the county's Industrial Development Agency.
- ? recruited and evaluated over 120 potential job candidates for the 10 to 30 jobs planned during the initial year of operation. Pre-screening of training candidates included tests of dexterity and color perception, as well as thorough background checks.
- ? arranged for soldering skills training to be provided through the Jamestown Community College. Program costs for new hire training were covered by JTPA. Acu-Rite staff were involved in curriculum decisions and instruction.
- ? arranged for on-the job training at the worksite after successful trainees were hired.

As a result, Acu-Rite reported that they gained a reliable source for the circuit boards they needed, and saved 10 percent over previous costs for this component. The firm also claims that productivity has increased by 20 percent, and workers have earned wage increase of nearly \$2.00 per hour.

***PROJECT: Cummins Engines Co. Inc. ~ PIC of Chautauqua County, Inc., Jamestown, NY***

Cummins Engines Company, Inc. is one of the largest employers in the county. When they decided to maintain a manufacturing plant in the region, they turned to the PIC to undertake the massive job of screening applicants to hire 100 new workers. Cummins paid the PIC to collect and screen over 2,300 applications. The PIC staff administered a wide variety of standard and company-specific aptitude and skills tests.

Over 300 individuals who met Cummins' standards were interviewed in person by the company. Eventually, the 100 new workers were hired. The company was pleased to find qualified workers and believes it saved significant time and money that otherwise would have been expended by its human resources department.

***PROJECT: The Teaching Factory ~ PIC of Chautauqua County, Inc., Jamestown, NY***

The PIC has expanded the concept of employer skills training, which before had been offered on an ad hoc basis, into a broad-based consortium of employers. Known as the Teaching Factory, the PIC has formed a consortium of business, education and economic development organization to:

- ? establish a system to identify and define employer needs for occupational skills training for new hires and current employees;
- ? create a continuum of hands-on training that provides for introductory training for youth, pre-hire trainees and to retraining and upgrading experienced workers;
- ? provide real world of work experiences and training in safety, health, Total Quality Management and Statistical Process Control to prepare workers to contribute to high-performance work environments and for life-long learning;

- ? provide access for employers to state-of-the-market equipment for demonstrations, prototype development, training and production;
- ? provide opportunities for equipment vendors to demonstrate and train on their equipment.

This consortium includes employer "focus groups" in the following industries: metal, wood products, food processing, circuit board, plastics, and advanced clerical. Company needs are assessed by the county's Industrial Development Agency and the PIC.

The consortium operates a Teaching Factory--or skills training facility--in a former manufacturing plant. This facility houses hands-on and classroom training, vendor demonstrations, prototype development, and production. The Teaching Factory is managed by the PIC with input from the other members of the consortium.

***PROJECT: STAR ~ NOVA PIC, Sunnyvale, CA***

NOVA's major fee service is called STAR--Skills Testing, Assessment and Reemployment. It consists of specialized individualized assessment, labor market information, counseling and job search assistance, including resume development and interviewing skills. Often this entails teaching laid-off high-tech workers how to market their existing skills using the latest terminology and hot buzz words that resonate with new or expanding firms. Over the years, NOVA has assisted the employees of many large silicon valley firms make the difficult transition to new jobs.

***PROJECT: Advanced Micro Devices ~ NOVA PIC, Sunnyvale, CA***

In 1991, Advanced Micro Devices restructured, resulting in the layoff of over 500 employees. All potential layoffees were tested to see if they qualified for new jobs within the company. Only 4 employees passed the test. One hundred fifty employees were sent to a special retraining program at the local community college. NOVA was hired to help the remaining 350 employees who would have to find new jobs outside of AMD.

The outplacement program ran for fifteen months in 1992-93. NOVA staff worked three shifts per day at an outplacement center set up at AMD's facility providing assessment, case management, job search and referral to (company paid) training and education programs. Eighty percent of the 350 layoffees obtained new jobs within 90 days of entry into the program. The total cost was over \$750,000 completely paid by AMD. AMD management today praises NOVA's efforts profusely, saying "They did this job better than we could have done with our own staff. They treated our employees exactly as we would have--with compassion and dignity."

***PROJECT: Lockheed/Martin ~ NOVA PIC, Sunnyvale, CA***

Lockheed/Martin builds missiles and satellites in Sunnyvale and its business has been much affected by the end of the Cold War. Between 1992 and 1995 a NOVA-staffed outplacement center served over 4000 departing employees. During this period NOVA had 16 full time staff on-site at Lockheed. Most of the costs of this project were covered by federal EDWAA and Defense Conversion grants, but Lockheed paid NOVA over \$75,000 in direct fees for special customized services that could not be charged to these grants. Lockheed has now engaged NOVA to set up

and administer retraining programs for some of its remaining employees funded with California state grants.

***PROJECT: GTE Corporation ~ NOVA PIC, Sunnyvale, CA***

GTE Corporation engaged NOVA in 1993 to provide on-site workshops and "transition skills" to 700 employees under a voluntary "buy-out" program. NOVA is also currently administering a retraining program using a curriculum designed by GTE for remaining workers.

***PROJECT: Employment Solutions as a division of ~ Western Wisconsin PIC, Inc.***

The Western Wisconsin PIC, Inc. created Employment Solutions, a unique division within their same non-profit entity to provide fee-based workforce development services. These include assistance with recruitment/hiring, training and retention. Employment Solutions has secured several small contracts to help employers with collecting and screening applications, conducting interviews, analyzing job-related skills, recommending top candidates and performing reference checks. This area is seen to be one that could provide a steady stream of business. Employment Solutions did a fairly extensive turnover analysis and employee satisfaction study for a local company (The Company Store) and has recently been asked to return to do a one-year follow-up. It has also developed an employee handbook for a local company. The PIC has had other contracts related to recruitment and retention over the last several years. It is important to note that the vast majority of fee-based services have been provided by PIC staff. On occasion, the PIC will engage per-diem consultants, but this is the exception, not the rule. Employment Solutions develops its own business plan and goals each year.

***PROJECT: National Semiconductor ~ TRC of Portland, Maine***

In Portland, Maine, National Semiconductor relocated defense-related manufacturing to Asia at a much lower cost. As the result of that decision, National closed approximately 90% of the Mil-Aero defense division, and dislocated hundreds of workers located at the South Portland, Maine facility.

National Semiconductor's goal was to offer their dislocated workers high quality, just-in-time service. That goal was at odds with federally-funded programs with long wait lists and other bureaucratic obstacles. National took an unusual corporate stand and committed significant resources of its own - people, time and money - to put together a total package that would offer the highest quality outplacement services possible, delivered on-site, at all hours of the day and evening. Their vision was a Center firmly grounded in a customer-friendly culture -- in other words, no government eligibility hoops, paperwork limited to that which helped customers track options, and the broadest possible range of service choices.

After exploring a variety of alternatives, National chose a team delivery model for the six-month on-site Career Center, staffed by their own human resources professionals, along with counselors from a local private outplacement firm and the Training Resource Center. Workshops were delivered at 3:00 p.m. and 3:00 a.m., depending on client demand; and taught by staff from any of the team members, based on individual expertise in areas relating to specific customer needs.



Employees had the option of selecting training from any of the regional vendors. Many chose TRC's computer and learning labs.

TRC's \$150,000 proposal to National included an estimate of all direct and indirect costs: staff and space where relevant, as well as a one-third margin of profit. Billing was based on actual services used. The agency committed to a combination of existing staff and new hires, with the company having input on staffing decisions. National viewed the TRC proposal along with other private-sector options, measuring all choices against their goal of achieving specific outcomes for the laid off workers. After full consideration, they chose TRC as part of the team. The agency delivered a high quality product which ultimately netted them a \$42,000 revenue surplus which is used for current and future fee-for-service start-up costs.

In the ensuing years, TRC has continued to provide repeat fee-based services to National, although not on the same scope as the Mil-Aero project: they hired TRC for group resume workshops, followed by one-on-one sessions; used assessment staff to help identify applicant skill matches for jobs in the company's major South Portland expansion project; and in 1996 a member of the TRC staff once again participated in a smaller version of the outplacement center.

## ***VII. Resources Available to Help Boards***

The Fee-for-Service Research project maintains a worldwide web site with extensive information on fee-for-service. Visit [www.careercenter.org](http://www.careercenter.org). The Project also maintains a toll-free telephone line for information on this subject. Call Christine Abramowitz, the Project Director, at 1-800-787-1516 for hard copies of various products on information related to the fee-for-service research project.

<b>The following is a sample of the key fee-for-service resources available on the web site:</b>
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1. Case Studies of the organizations cited throughout this report that provide fee-based services:
  - ? The Private Industry Council of Chautauqua County, Inc., Jamestown, New York
  - ? The Training Resource Center of Cumberland County, Portland, Maine
  - ? The NOVA PIC, Sunnyvale, California
  - ? Western Wisconsin Private Industry Council, Inc., La Crosse, Wisconsin
2. Other publications developed by the Fee-For-Service Research Project team
  - ? Fee-for-Service Research Team FY '98 Workplan
  - ? Fee-for-Service in the One-Stop System: The Current Picture (9/97)
  - ? Literature Review of existing Fee-for-Service in the Workforce Development System (7/97)
  - ? Fee-for-Service Survey Results (6/97)
  - ? First Impressions of Fee-for-Service in the Workforce Development System (2/97)
3. Organizational business plans as submitted by the Western Wisconsin PIC, Inc. and Career Resources, Inc., Louisville, KY

4. Information from other USDOL funded system-building grants that included a fee-for-service developmental component (a listing of those grantees is also included as Attachment 3)
5. Information regarding a national workgroup that has met periodically to discuss fee-for-service related issues.
6. Excerpts of regulations and laws pertaining to fee-for-service activities as they relate to other government funds.
7. Links and contact information of organizations offering fee-based services at the time of the national survey (January, 1997). Please note that the services listed here may be offered for a fee only under certain circumstances (e.g., to non-publicly funded job seekers, based on employer negotiations, etc.). Call the contact person listed for more up-to-date fee-based services and explanations of services.
8. Links to Foundation, Corporate Giving Programs and Grant Resources web sites.

<b>Other national resources include:</b>
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| <ul style="list-style-type: none"><li>? The Enterprise Council, 200 Constitution Ave., NW, Washington, D.C. 20210, phone: 202-501-5440, Vic Trunzo - Director, <a href="http://www.theenterprise.org">www.theenterprise.org</a></li><li>? The National Alliance of Business, 1201 New York Avenue, NW, Suite 700, Washington, D.C. 20005, phone: 800-787-2848, Robert Jones - President, <a href="http://www.nab.com">www.nab.com</a></li><li>? The National Association of Private Industry Councils, 1201 New York Avenue, NW, Washington, D.C., 20005, phone: 202-289-2950, Robert Knight - President, <a href="http://www.work-web.com/NAPIC/home.htm">www.work-web.com/NAPIC/home.htm</a></li><li>? The National Center for NonProfit Boards, Suite 510-S, 2000 L Street, NW, Washington, D.C., 20036-4907, phone: 800-883-6262, Beth Flynn - Center Manager, <a href="http://www.ncnb.org">www.ncnb.org</a></li></ul> |
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## ***ATTACHMENTS***

## ATTACHMENT 1

<b>FEES CHARGED BY FOUR DIFFERENT PROGRAMS</b>
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<p><b>Services which are normally paid by organizations via 3<sup>RD</sup> party payments:</b></p> <ul style="list-style-type: none"> <li>? \$90 for 2 hours of resume preparation assistance</li> <li>? \$70 for 1 hour of interview coaching</li> <li>? \$50 for individual counseling sessions</li> <li>? \$500 for customized job development with a guaranteed job offers</li> </ul>	<p><b>Services which are paid by non-publicly funded job seekers:</b></p> <ul style="list-style-type: none"> <li>? \$175 - 8 hrs / \$350 - 16 hrs of various computer training classes (Lotus, Word Processing, etc.)</li> <li>? \$60 - 4 hrs / \$90 - 6 hrs / \$180 - 12 hrs of various math related courses and various communication seminars</li> <li>? \$90 for 6 hours of various personal growth seminars</li> </ul>
<p><b>Outplacement services paid by employers for non-publicly funded/enrolled employees:</b></p> <ul style="list-style-type: none"> <li>? \$175 per person for individualized assessment and follow-up</li> <li>? \$100 per person for job search related workshops &amp; detailed resume work</li> <li>? \$85 per person for resume lab services</li> <li>? \$100 per person for Center support services and access to computers, phones, labor market data, etc.</li> <li>? \$1,000 per group for on-site customized workshops</li> </ul>	<p><b>Outplacement Services paid by employers based on a CHOICE of “packages”:</b></p> <ul style="list-style-type: none"> <li>? 1 month of services* at \$1,500; 3 full months at \$2,000; 6 full months at \$3,500 for Management Personnel</li> <li>? 3 day job search seminar for 20 participants: \$1,500</li> <li>? 6 months of Growth Outplacement services* at \$600 per person</li> </ul> <p>* services include a complete package of various outplacement services; unlimited resumes, cover letters and postage - if an individual has NOT obtained a job, they will receive 75 copies of his/her resume. Senior and executive personnel receive unlimited services.</p>

### Business Plan Template

#### Western Wisconsin Private Industry Council, Inc. ~ Employment Solutions

Business plans can take on several different formats. There are numerous publications that deal specifically with how to write a business plan. The following is the outline followed by Employment Solutions (can also be accessed at: <http://www.careercenter.org/WISCON.txt>):

- I. **Overview (or Executive Summary)** -- In this section, you should give the reader a general overview of the business. This can be used as the "mission" and "vision" statement part of the business plan.  
*For Employment Solutions, we were concerned about the public perception of the mixing of public and private resources. This is where we addressed what resources would be used to set up Employment Solutions, which staff would be assigned, and the relationship to one stop centers.*
- II. **Products or Services** -- This section should include a factual description of the products and services. It should provide enough information to tell about your products, without giving away trade secrets. Outline your competitive advantage or strengths.  
*Employment Solutions outlined four categories: Outplacement, Workforce and Human Resources Services, Assessment, and Training Under each we described examples of services to be provided. (Example: Outplacement = resume development, interviewing training, job search workshops, etc.)*
- III. **Present Status** -- Most business plans describe the present status of the product, marketing and revenues to date. Some skip this section or include goals as part of the marketing plan or the financial statement. This section, if included should spell out immediate short, term goals to get the business or new services launched.  
*Employment Solutions was a new venture accountable to a non-profit Board of Directors. We needed specific goals for the Board to measure the success of launching the services. We included a sections entitled "Overall Goals " that outlined specific goals and objectives for start-up and evaluation of the service.*
- IV. **Profile of the Target Market** -- This is where the feasibility study comes in. This section should include size of market, market segmentation, trends, competition and customer profiles. Include an assessment of your organization's strengths versus the competition. Spell out your competitive advantage.  
*Employment Solutions' business plan section is labeled "Feasibility." It includes an assessment of the market for each of the four broad categories of service and outlines the competitive advantage that we have. We include a separate section titled "target market" outlining our primary, secondary and tertiary markets.*
- V. **Promotion** -- Outline how the business will market its products and services to customers. What sales will be achieved? How will we deal with competition? If the organization will hire sales staff, include such areas as sales rep job description, sales philosophy, commission and pay plans, etc. These sections can be found in business plans under various names (Sales

Strategies and Marketing; Marketing Plans, etc.). If the organization needs to seek outside funding, this section needs to be very specific.

*Employment Solutions' promotion plan outlined strategies that would be immediately put into place as well as some future strategies. We knew that the service would need a more thorough marketing plan with specific strategies in the future. We consciously kept this section general in order to test our marketing and readjust in the future.*

- VI. **Operational Procedures** -- Explain the plan for providing services, including resource and staffing needs, organizational structure, operational procedures, contract agreements, insurance, and audits. Reference as an attachment or include biographical/business sketches of key personnel.

*In this section, Employment Solutions named the principals that would be involved in the project, along with their duties. To align ourselves with the businesses world, we developed new, corporate titles for the principals to use for Employment Solutions. We also described the conditions under which other staff would be called to assist with Employment Solutions activities. The section was used to distinguish between income and services that fall under the public umbrella (JTPA) and those offered by Employment Solutions. We included narratives on separation of cost reporting and accounting procedures between JTPA & Employment Solutions. We also included a description on uses of the profit generated by Employment Solutions.*

- VII. **Price** -- This section should be used to explain how price for each of the services will be determined. Outline the method to be used: cost recovery or break-even, cost plus profit or margin, and/or any discounting. If "packages" of services are to be sold, describe what the packages will contain and the price.

*Employment Solutions uses a cost plus method for determining price. We outline services, estimate time needed (in the beginning we added a 15% margin of error to the estimate), multiply by actual costs of time, add other costs (supplies, etc.) and then multiply by a profit margin.*

- VIII. **Place** -- This section is most typically used to outline distribution methods for products, if included at all.

*In the Place section for Employment Solutions, we outlined the location from which the services would be provided. There was some concern from other agencies that we were using our public funds to provide a location for our fee-for service activities. To overcome this perception, we located Employment Solutions at in an off-site office.*

- IX. **Financial Projections** -- Use simple tables to present key financial projections for at least three years (also called pro-forma financial statements). These projections will be based on expected sales and costs as determined in the feasibility study. If possible have a certified accountant prepare the statements. Describe any assumptions that were made in preparing the financial projections.

- X. **Attachments** -- Include supporting information as attachments. These may include short resumes of personnel, notes to the financial projections, marketing materials, etc.

*Employment Solutions included biographical sketches, a summary of a key position to support the service and a format for analyzing specific services a business may need.*

## ATTACHMENT 3

### DOL FUNDED SYSTEM-BUILDING FEE-FOR-SERVICE PROJECTS

The following describes short summaries of the 3 other system building grants funded by the Department of Labor, plus the Louisville, KY Learning Lab: all which address some fee-for-service component:

**Central Texas Council Of Governments: PO Box 729, Belton, Texas 76513, Gerry Fluharty, 817-939-3771, email: fluharty@sprintmail.com**

This project focuses on development of a network database emphasizing the “credit card” or “smart card” concept of tracking and case managing customers through various services INCLUDING FEE-FOR-SERVICE activities. Other products include using an Internet home page.

**NOVA PIC, Inc. 505 W. Olive Avenue, Suite 550, Sunnyvale, California 94086, Michael Curran 408-730-7232 or Joann Kleinman at 408-730-7241, e-mail: jkleinman@novapic.org**

The project is a collaborative effort that will develop a fee-for-service system designed for high-tech industries located within Silicon Valley. The project will deliver such products as:

- ? marketing workshops for collaborative members
- ? competitive marketing materials
- ? information on managing funds using a “venture capital model”, with stakeholders submitting business plans that identify fee-based activities to be developed & the anticipated income.

**Work Connection Center, St. Charles County Government, 2020 Parkway Drive, St. Peters, Missouri, 63376, Marvin Freeman 314-441-2422, e-mail: mfreem02@mail.win.org**

The project will develop a fee-for-service package that includes such products as:

- ? providing task analysis of existing positions for employers
- ? providing incumbent worker training based on needs identified during task analysis
- ? specialized outplacement services to employees of downsizing companies, and
- ? specialized workshops on various topics

**Workforce Development Center Of Waukesha County, 892 Main St., Suite A, Pewaukee, Wisconsin 53072, Rita Chmielewski 414-695-7990, e-mail: rchmielewski@waukesha.tec.wi.us**

This project focuses on many areas of revenue generation, including development of a fee-for-service model aimed at businesses that focus on brokering of Career Center services, capacity building and continuous improvement concepts. The project will also:

- ? research cost allocation and revenue sharing agreements between career center partners, and
- ? produce practical marketing principles for revenue generating activities.

**Career Resources, Inc., 305 W. Broadway, Louisville, KY, 40202, Regina Phillips, 502-574-4780**

As part of being a “learning lab” for organizations implementing their One-Stop Career Center plans, Career Resources can offer their vision and practical results thus far in creating a “model that can effectively serve all customers by offering a blend of tax-supported and fee-supported services.”